



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
GRANT COUNTY CLERK**

Calendar Year 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GRANT COUNTY CLERK

Calendar Year 2000

The Auditor of Public Accounts has completed the Grant County Clerk's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Net receipts of the County Clerk's calendar year 2000 Fee Account decreased by \$14,263 from the prior calendar year, resulting in excess fees of \$101,807 as of December 31, 2000. Revenues increased by \$152,075 from the prior year and disbursements increased by \$166,338.

Report Comments:

- The County Clerk Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Deposits:

The Clerk's deposits were insured and collateralized by bank securities as of December 31, 2000; however, on April 7, 2000, the County Clerk's deposits in the amount of \$60,474 were uninsured and uncollateralized.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	6
COMMENT AND RECOMMENDATION	11
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	15



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Darrell Link, Grant County Judge/Executive
Honorable Judy A. Fortner, Grant County Clerk
Members of the Grant County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Grant County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Darrell Link, Grant County Judge/Executive
Honorable Judy A. Fortner, Grant County Clerk
Members of the Grant County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated September 18, 2001, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Clerk Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 18, 2001

GRANT COUNTY
JUDY A. FORTNER, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

State Grants	\$	39,548
--------------	----	--------

State Fees For Services		8,111
-------------------------	--	-------

Fiscal Court		5,602
--------------	--	-------

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	575,763
------------------------	----	---------

Usage Tax		2,582,094
-----------	--	-----------

Tangible Personal Property Tax		1,378,055
--------------------------------	--	-----------

Licenses-

Marriage		8,418
----------	--	-------

Occupational		1,780
--------------	--	-------

Deed Transfer Tax		61,781
-------------------	--	--------

Delinquent Tax		127,175
		4,735,066

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	17,191
---------------------------------	----	--------

Real Estate Mortgages		35,656
-----------------------	--	--------

Chattel Mortgages and Financing Statements		70,634
--	--	--------

All Other Recordings		19,756
----------------------	--	--------

Charges for Other Services-

Copywork		3,074
		146,311

Other:

Mail-In Postage Fees	\$	518
----------------------	----	-----

Motor Vehicle Lien Release Fees		6,097
---------------------------------	--	-------

Fee Overpayments		16,879
------------------	--	--------

Collection of Returned Checks		12,670
-------------------------------	--	--------

Miscellaneous		538
		36,702

Interest Earned		10,634

Gross Receipts	\$	4,981,974
----------------	----	-----------

GRANT COUNTY
 JUDY A. FORTNER, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 434,526

Usage Tax 2,504,997

Tangible Personal Property Tax 500,396

Taxes and Fees-

Delinquent Tax 16,725

Legal Process Tax 21,893

Candidate Filing Fees 90 \$ 3,478,627

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 145,176

Delinquent Tax 16,917

Deed Transfer Tax 58,692

Occupational Licenses 1,440 222,225

Payments to Other Districts:

Tangible Personal Property Tax \$ 677,400

Delinquent Tax 62,718 740,118

Payments to Sheriff 2,158

Payments to County Attorney 20,026

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies Salaries \$ 180,292

Part-Time Salaries 15,899

Election Labor 250

Employee Benefits-

Employer's Share Social Security 18,759

Employer's Share Retirement 17,549

Employer's Paid Health Insurance 17,413

GRANT COUNTY
 JUDY A. FORTNER, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay:
 (Continued)

Contracted Services-			
Advertising	\$	439	
Printing and Binding		18,884	
Clerk's Bond and Unemployment Insurance		1,307	
Telephone		1,611	
Materials and Supplies-			
Office Supplies		12,266	
Other Charges-			
Conventions and Travel		128	
Dues		1,200	
Postage		6,468	
Returned Checks		12,607	
Refunds - Fee Overpayments		16,879	
Capital Outlay-			
Office Equipment		32,134	\$ 354,085
Total Disbursements			<u>\$ 4,817,239</u>
Net Receipts			\$ 164,735
Less: Statutory Maximum			<u>59,306</u>
Excess Fees			\$ 105,429
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for Calendar Year 2000			\$ 101,829
Payments to County Treasurer - February 19, 2001	\$	100,504	
September 18, 2001		<u>1,325</u>	<u>101,829</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

GRANT COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2000
 (Continued)

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of April 7, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$60,474 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of April 7, 2000.

	<u>Bank Balance</u>
Insured and collateralized with securities held by the county official's agent in the county official's name	\$ 350,000
Uncollateralized and uninsured	<u>60,474</u>
Total	<u><u>\$ 410,474</u></u>

Note 4. Grants

The County Clerk received a local-records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$20,664. The County Clerk also had prior year carry-over grant funds totaling \$18,884 for a total of \$39,548. Funds totaling \$39,548 were expended during calendar year 2000.

Note 5. Software License Agreement

The office of the County Clerk is committed to a software license agreement with Software Management, Inc. for the period September 6, 2000 through September 6, 2005. The agreement requires an annual payment of \$2,700 (payable in monthly installments of \$225). The total balance of the agreement is \$10,800 as of December 31, 2000.

THIS PAGE LEFT BLANK INTENTIONALLY

COMMENT AND RECOMMEDATION

GRANT COUNTY
JUDY A. FORTNER, COUNTY CLERK
COMMENT AND RECOMMENDATION

Calendar Year 2000

STATE LAWS AND REGULATIONS:

The County Clerk Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On April 7, 2000, \$60,474 of the County Clerk's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the County Clerk require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Clerk's Response:

Additional pledges have been obtained.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Darrell Link, Grant County Judge/Executive
Honorable Judy A. Fortner, Grant County Clerk
Members of the Grant County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Grant County Clerk for the year ended December 31, 2000, and have issued our report thereon dated September 18, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Grant County Clerk's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The County Clerk Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Grant County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 18, 2001

